



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony of the Connecticut Insurance Department

Before

FTR

The Insurance and Real Estate Committee
February 28th, 2012

Raised Bill No. 5230—An Act Concerning Various Changes to Property and Casualty Insurance Statutes

Senator Crisco and Representative Megna, committee-co-chairs, Senator Kelly and Representative Sampson, ranking members, and Members of the Committee, the Insurance Department appreciates the opportunity to submit written testimony on Raised Bill No. 5230.

As you may be aware, the Connecticut Insurance Department issued revised underwriting coastal guidelines specifically related to the hurricane deductible after the storms of last fall. Those guidelines specified that a hurricane deductible is applied only to losses due to a hurricane occurring anywhere in the state as reported by the National Weather Service (NWS) with maximum sustained winds of 74 mph.

While the Connecticut Insurance Department is supportive of the intent behind this proposal, we do not believe a statute related to hurricane deductibles is needed. The property and casualty industry follows the guidelines issued by the Department and placing this language in statute reduces our ability to modify guidelines in a timely fashion to respond to ever-changing market conditions. In fact, if our prior underwriting guidelines had been a state statute the Department would not have been able to amend it quickly and incorporate more appropriate language that has now been in place for several months.

However, should the committee move forward on the hurricane deductible provisions, the Department would like to recommend that the proposed language for the hurricane deductible trigger in Section 1 of the bill be revised to reflect the language used in the guidelines that were issued by the Department December 9, 2011, a copy of which is attached to this testimony. The department worked closely with the National Weather Service (NWS) and National Oceanographic and Atmospheric Association (NOAA) in developing the language in our guidelines.

The Department recommends adding the following language to mirror the current guidelines that are in place:

When the Hurricane Deductible begins:

Commencing with the issuance of a **hurricane warning** by the NWS for anywhere in the State of Connecticut.

When the Hurricane Deductible ends:

Ending the earlier of: (i) 24 hours following termination of the last **hurricane warning** issued for any part of Connecticut by the NWS; or (ii) 24 hours after the hurricane is downgraded from a hurricane by the NWS for any part of Connecticut.

On other provisions in H. 5230, several of the changes recommended to the Standard Fire Policy (SFP) statute represent the manner in which the department has regulated the property line of business for many years to ensure transparency and consistency in the property contracts in Connecticut. However, there are some significant revisions that would need to be made in order for the bill to work effectively and not create additional ambiguities.

Specifically, s. 38a-307 still includes the language limiting the laws applicability to fire and lightning. Therefore, as drafted, many provisions would only continue to apply to fire and lightning loss. This would conflict with the homeowner policy which is a preferred contract offering coverage on a replacement cost basis with broad perils and worldwide comprehensive coverage. The SFP language in Section 4 limits the laws applicability to a fire policy and does not address the package homeowner policy. In addition, the Department holds all companies to the standard that an HO-3 is a preferred policy and must be a replacement cost policy.

In addition, some provisions of the SFP do not contain as many consumer protections as the standard ISO homeowners policy and the Department is concerned that simply changing the description from 'Standard Fire' to 'Homeowners' may have unintended consequences. For example, the 'Conditions suspending or restricting insurance' also known as the 'Increase in Hazard' provision potentially gives the insurer more latitude to deny a claim and shouldn't be included in the standard homeowners policy. Further, the wording of the SFP is written in legalese and not in plain language as current ISO homeowner's policies are written.

The Department believes that an alternative approach may be to add to the listing provided in 38a-308(b) those provisions of the Standard Fire Policy that should be made applicable to homeowners. Further, the Committee may also want to consider granting the Department authority to promulgate regulations on standard, minimum homeowner provisions.

The Department would also like to raise concerns about the deletion of "disinterested" in Section 4 of the proposal. Previously, the Insurance Services Office (ISO) had requested the use of the term "competent and impartial" for appraiser language in a previous HO 2000 form filing. The Department prohibited ISO from including this terminology since it was determined that the term "impartial" is not the same as "disinterested" and was subjective. Disinterested means "not having an interest in" and the Department held ISO to the standard fire policy language of "competent and disinterested" for the appraiser and umpire. Retaining the term "disinterested" ensures objectivity on the part of both the consumer and company appraisers.

The Department requests that the effective date of any new requirements enacted apply to insurance policies issued or renewed on or after October 1, 2012. Insurers will need to file new forms reflecting the various changes being proposed and issue new forms to their policyholders.

Thank you for the opportunity to submit testimony and we would welcome the opportunity to work with members of the committee on H. 5230.